

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 13, 2011
POSITION: Oppose
SPONSOR: EdVoice

BILL NUMBER: AB 851
AUTHOR: B. Nestande

BILL SUMMARY: Distance Learning

This bill would require the California State University (CSU) and the Board of Governors of the California Community Colleges (CCC), and would request the University of California (UC) to report to the Legislature by January 1, 2014, and biennially thereafter, on enrollment and completion rates of distance learning programs. The bill would establish a common definition of distance learning for this purpose. Additionally, the bill would require the Legislative Analyst's Office (LAO) to convene a workgroup consisting of legislative staff and the Department of Finance (Finance) to report to the Legislature by February 1, 2013, on the necessity of establishing the Western Governors University (WGU), California.

FISCAL SUMMARY

According to the CSU, this bill would result in one-time General Fund costs ranging from \$60,000 to \$100,000 in order to meet new reporting requirements. The UC states that increased data collection costs resulting from this bill would be minor and absorbable within existing resources.

The California Community Colleges Chancellor's Office (Chancellor's Office) indicates that the bill would cost \$24,000 General Fund to update its systems and to gather the required distance education information. The Chancellor's Office also notes that the CCCs already report most of the data required. Assuming the Chancellor's Office does not create a reimbursable state-mandate by requiring the CCCs to report the necessary data, the CCCs could incur some minor local costs to provide the additional data to the Chancellor's Office. If each of the 112 CCCs incurred additional costs of \$1,000 to \$2,000, the total system cost would be \$112,000 to \$224,000. However, in the event that the Chancellor's Office requires the CCCs to report the necessary data, these costs could become reimbursable state-mandate costs.

Further, if the WGU, California is established and residents are allowed to use Cal Grants to offset tuition, substantial cost pressure to increase funding for Competitive Cal Grants could result. Currently, financially needy students who are not eligible for the entitlement awards compete for 22,500 Competitive Cal Grant Program awards annually. It is presumed these nontraditional students would make up the majority of the WGU, California student body.

COMMENTS

Finance is opposed to this bill for the following reason:

- The bill would increase General Fund costs for the UC, CSU, and the Chancellor's Office. Given the \$650 million General Fund reductions to the UC and CSU budgets in 2011-12 and the recent budget reductions to the Chancellor's Office, any increase in operating costs at this time would be difficult to absorb. We also note the Budget Act of 2011-12 reduced CCC apportionment funding by a net \$290 million; therefore, any additional reporting requirements on the CCCs could add to their existing challenges to operate within limited resources. Finally, the bill could result in a substantial General Fund cost pressure to increase Cal Grant funding for WGU, California attendees.

Analyst/Principal (0362) S. Swan	Date	Program Budget Manager Nick Schweizer	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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Distance education is offered at all 112 CCC campuses, comprising around 10 percent of the total full-time equivalent students claimed. Likewise, the CSU offers distance education at all 23 of its campuses. While CSU students cannot complete a bachelor's degree program solely online, there are bachelor degree completion programs in which students can complete all upper-division requirements online or through distance-education technology. The UC has recently initiated an Online Instruction Pilot Project to determine whether online courses for undergraduate students can provide comparable educational opportunities to classroom instruction. Instruction of the program is scheduled to begin in January 2012.

The WGU is a Utah-based private, non-profit online university founded by the governors of 19 states in the 1990s—California subsequently became a member. The WGU is governed by a Board of Trustees with the mission of improving quality and expanding access to post-secondary educational opportunities independent of time and place and to provide competency-based degrees and other credentials that are credible. According to the LAO, about 1,900 Californians attend the WGU. The LAO notes that there is a disincentive for financially needy California students to enroll in the WGU, because out-of-state institutions are not eligible to participate in the Cal Grant program. The WGU operates a virtual branch comprised solely of online instruction in Indiana, where financially needy students can use state grants to offset tuition. The LAO suggested that California consider adopting a model similar to Indiana.

Based on the LAO's recommendation, this bill would state legislative intent that the workgroup evaluate establishing the WGU as a degree-granting institution that is self-supporting and that does not receive state funding. The bill would not preclude the workgroup from evaluating whether the WGU qualifies to participate in California's financial aid programs. Finance notes that this bill would require the workgroup to consult with the California Postsecondary Education Commission (CPEC). The 2011-12 Budget eliminated all General Fund support for the CPEC.

According to the author's office, this bill seeks to increase college access to those that are unable to participate in traditional classroom instruction or who find distance education to be a better option.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
6440/UC	SO	No		No/Minor Fiscal Impact					0001
6610/CSU	SO	No	C	\$60 - 100		--		--	0001
6870/Comm College	SO	No	C	\$24		--		--	0001
6870/Comm College	LA	Yes		See Fiscal Summary					0001
7980/Student Aid	LA	No		See Fiscal Summary					0001